

## Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
----- 033619

P R 121546Z APR 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 6723

INFO AMEMBASSY MADRID

AMCONSUL MUNICH

AMEMBASSY BONN

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 2364

EXDIS

DEPT. PLEASE PASS USIA

STATE FOR EUR/MR. ARMITAGE AND EUR/WE/MR. BARBOUR

USIA FOR IEU/MCLAUGHLIN PASS ROBERT JORDAN

E.O. 11652: GDS

TAGS: PINT, US, PO, SP

SUBJ: RARET CONTRACT: COMMENT

REF: STATE 83295

SUMMARY: EMBASSY HAS REVIEWED DRAFT CONTRACT AND BELIEVES THAT, WHILE ONE OR TWO PROPOSED CHANGES OVER THE OLD CONTRACT DOUBTLESS WILL REQUIRE CAREFUL HANDLING, THE PACKAGE PROVIDES A SUITABLE BASIS FOR NEGOTIATION. THIS STILL LEAVES US, HOWEVER, WITH IMPORTANT QUESTIONS OF TACTICS AND TIMING. THERE ARE ONE OR TWO POINTS ON WHICH THE PORTUGUESE REACTION CANNOT BE KNOWN UNTIL DISCUSSIONS BEGIN. END SUMMARY.

1. CONTRACT CHANGES: EMBASSY HAS REVIEWED DRAFT CONTRACT SUPPLIED BY RARET LOCAL MANAGER. AS WE UNDERSTAND IT, ELEMENTS PROPOSED WHICH WOULD CHANGE THE BASIC 1963 CONTRACT AGREEMENT, UNDER WHICH RARET HAS  
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OPERATED TO DATE, ARE:

A. INCLUSION OF RADIO LIBERTY AS A POSSIBLE BROADCAST ENTITY OPERATING FROM RARET FACILITIES NEAR LISBON.

B. EXCLUSION OF RARET HARDWARE FROM PORTUGUESE IMPORT TAXES.

C. SETTING THE CONTRACT PERIOD FOR 15 YEARS.

D. REFORMULATING STATEMENT OF PROPERTY AND EQUIPMENT OWNERSHIP. (WE UNDERSTAND FROM MR. ROBERTS THAT MR. ABSHIRE INTERPRETS CONGRESSIONAL REQUIREMENTS SUCH THAT ALL NEW RARET EQUIPMENT MUST CLEARLY RETAIN USG OWNERSHIP).

E. PROVISION OF AN AGREED-UPON NUMBER OF HOURS AND FREQUENCIES FOR USE BY PORTUGUESE STATE RADIO, RADIO-DIFUSAO PORTUGUESA, FOR BROADCAST TO WESTERN EUROPE.

F. PAYMENT TO GOP OF TOTAL OF 50 MILLION ESCUDOS (APPROXIMATELY US \$1,700,680) FOR THE 15-YEAR CONTRACT, COMPARED TO US\$700,000 FOR THE TEN-YEAR CONTRACT SIGNED IN 1963. THE NEW CONTRACT WOULD AVERAGE US\$113,378 PER YEAR, COMPARED TO AN AVERAGE OF US\$70,000 PER YEAR FOR THE 1963 CONTRACT.

2. TACTICS: AS WE SEE IT, THERE ARE THESE QUESTIONS OF TACTICS:

A. RADIO LIBERTY DESIGNATION: GOP NEGOTIATORS CANNOT FAIL TO TAKE NOTE OF PROPOSED RADIO LIBERTY INCLUSION. IN ENSUING DISCUSSION IT WOULD NOT BE UNREASONABLE TO EXPECT THAT GOP WOULD CONSIDER PERMISSION FOR RL USE OF TRANSMITTERS TO BE A MAJOR CONCESSION. IN VIEW OF THIS, EMBASSY SUGGESTS THAT, IN ANY EVENT, THERE SHOULD BE CLEAR INDICATION OF DEFINITE NEED FOR RL INCLUSION IN RARET CONTRACT BEFORE INITIATING DISCUSSION THIS TOPIC WITH PORTUGUESE. IF SITUATION IN SPAIN SHOULD TURN AROUND TO EXTENT THAT RL WERE ASSURED CONTINUED OPERATION THERE--OR IF RL OPERATION IN GREAT BRITAIN COULD BE ARRANGED--NEGOTIATION WITH GOP MIGHT BE CONSIDERABLY EASED BY REMOVING RL REQUIREMENT FROM DRAFT. ON OTHER HAND, IF RL REQUIREMENT AT RARET IS CLEARLY ESSENTIAL, THEN WE WILL HAVE TO TACKLE NEGOTIATIONS WITH FULL KNOWLEDGE THAT PORTUGUESE MAY WELL CAPITALIZE ONE WAY OR ANOTHER ON OUR NEED FOR INCLUDING THAT ELEMENT IN CONFIDENTIAL

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THE NEW CONTRACT.

B. TIMING: WE UNDERSTAND THAT, APART FROM RARET MANAGER'S INFORMAL DISCUSSIONS WITH RDP CONCERNING POSSIBLE RDP PROGRAMMING FOR WESTERN EUROPE VIA RARET TRANSMITTERS, FOR THE PRESENT NO ELEMENTS OF DESIRED CHANGES IN CONTRACT WILL BE BROUGHT UP TO GOP NEGOTIATORS. PROGRESS, OR LACK OF IT, IN SPANISH/RL NEGOTIATIONS COULD INFLUENCE

TIMING CHOSEN FOR SUBSTANTIVE TALKS WITH PORTUGUESE AUTHORITIES. OUR BASIC BELIEF IS STILL THAT WE SHOULD MAKE NO MOVES UNTIL AFTER APRIL 25 LEGISLATIVE ELECTIONS, AND EXPECT NO RENEWAL NEGOTIATIONS UNTIL AFTER PRESIDENTIAL ELECTIONS (JUNE 27) AND FORMATION OF A NEW GOVERNMENT. THE MANY VARIABLES OF THE PORTUGUESE POLITICAL SITUATION MUST BE TAKEN INTO ACCOUNT IN OUR PLANNING.

C. WHO NEGOTIATES AND SIGNS?: WE UNDERSTAND BIB MAY DESIRE THAT THE CONTRACT BE GOVERNMENT-TO-GOVERNMENT. THUS FAR EMBASSY IS NOT AWARE OF FORMAL INDICATION FROM GOP OF AEGIS UNDER WHICH NEW CONTRACT IS TO BE NEGOTIATED AND SIGNED. IN ANY CASE, HOWEVER, PORTUGUESE AUTHORITIES KNOW OF CHANGE IN RARET'S STATUS FROM "PRIVATE" TO USG-FUNDED OPERATION. REALISTICALLY, IT APPEARS THERE WILL HAVE TO BE A USG ROLE.

D. RELATIVE BENEFITS: AS WE SEE IT, THE U.S. SIDE WILL BE SEEKING THREE CONCESSIONS--NAMELY, DESIGNATION OF RADIO LIBERTY AS A POTENTIAL RARET USER; REDESIGNATION OF OWNERSHIP OF FACILITIES AND EQUIPMENT; AND DUTY-FREE IMPORTATION RIGHTS. IN RETURN, THE GOP WILL GET SPECIFIC INTERNATIONAL SHORT-WAVE BROADCAST FACILITIES AND AN ANNUAL FEE ALMOST DOUBLING THE AMOUNT PAID DURING THE LAST TEN-YEAR CONTRACT. THERE MAY BE ROOM FOR THE PORTUGUESE TO QUESTION WHETHER THEIR GAINS EQUAL THEIR CONCESSIONS; IT IS DIFFICULT TO PREDICT THEIR REACTION ON THIS. WE CANNOT KNOW, FOR INSTANCE, IF THE SIZE OF THE PROPOSED FEE WILL MEET READY GOP ACCEPTANCE. RARET MANAGER SAID THAT ONCE MAJOR FIGUEIREDO, PRESIDENT OF RADIODIFUSAO PORTUGUESA, HAD SPOKEN CASUALLY--AND POSSIBLY IN A JOKING WAY--OF U.S. FEES TOTALLING \$4 OR \$5 MILLION ANNUALLY.

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NOTE BY OC/T: NOT PASSED USIA.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
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P R 121546Z APR 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 6724

INFO AMEMBASSY MADRID

AMCONSUL MUNICH

AMEMBASSY BONN

C O N F I D E N T I A L SECTION 2 OF 2 LISBON 2364

EXDIS

3. EMPLOYMENT: DRAFT CONTRACT INCLUDES NO REFERENCES  
TO CUTBACKS OR OTHER MEANS OF REDUCING SIZE OF RARET  
WORKFORCE. IN VIEW OF STRONG SENSITIVITIES TO POTENTIAL  
THREATS AGAINST JOB SECURITY IN PORTUGAL, WE BELIEVE  
THIS IS SENSIBLE. AN UNANNOUNCED POLICY OF  
WORKFORCE REDUCTION BY GRADUAL ATTRITION COULD  
PARTIALLY ACCOMPLISH THE DESIRED CUT IN TOTAL EMPLOYEES,  
WITH LESS DANGER OF AROUSING LABOR STRIFE.  
CARLUCCI

NOTE BY OC/T: NOT PASSED USIA.

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## Message Attributes

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